GOVERNMENT OF INDIA
PETROLEUM AND NATURAL GAS
LOK SABHA

UNSTARRED QUESTION NO:4534
ANSWERED ON:25.08.2005
REGULATOR FOR OIL AND GAS SECTOR
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Will the Minister of PETROLEUM AND NATURAL GAS be pleased to state:

(a) whether the despite dismantling of Administered Pricing Mechanism the Ministry of Petroleum and Natural Gas continues to effectively control prices as well as the investment decisions of all Oil and Natural Gas Public Sector Undertakings :

(b) if so, the details thereof ;

(c) whether there is a need for independent regulator in both the upstream and downstream segment of the oil and gas sector;

(d) if so, the response of the Union Government thereto ; and

(e) the steps taken by the Union Government in this regard ?

Answer

MINISTER OF PETROLEUM & NATURAL GAS AND PANCHAYATI RAJ (SHRI MANI SHANKAR AIYAR)

(a) & (b) : In April,2002, with the declared intention of moving towards market-determined pricing for petroleum products,Government announced the dismantling of the Administered Pricing Mechanism (APM). Nevertheless, the prices of PDS kerosene and domestic LPG continued to be decided by the Government as these are subsidized products. Since the end of 2003, there has been an unprecedented, sharp and spiraling increase in international oil prices combined with considerable week to week and even to day volatility. Government therefore, froze prices of PDS kerosene and began modulating the price of petrol and diesel also in addition to that of domestic LPG. The pricing of the remaining products is market determined Government have conferred Navratana status on ONGC,IOCL,HPCL,BPCL and GAIL, and Mini Ratana status on IBP,CPCL,NRL,KRL and BRPL. The Boards of these companies take investment decisions as per the powers delegated to Navratana and Mini Ratana companies. The investment decisions are based on their business and commercial considerations. Government also intervenes wherever considered necessary with a view to avoiding unhealthy competition between them and ensuring optimum investments in the sector as a whole.

(c) to (e): Government are not contemplating a separate and independent regulator for the upstream hydrocarbons sector. However, an independent regulator for downstream sector is under the active consideration of Government.